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A survey to determine the background and training of the modern comptroller.

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A SURVEY TO DETERMINE THE BACKGROUND AND TRAINING OF THE MODERN CONTROLLER

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Term Paper

For

Navy Graduate Comptrollership Program

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PREFACE

The past fifty-five years of business have been notable for the emergence of a new administrative title, now recognized as that of Controller or Comptroller, both titles being used interchangeably. The rapid growth of the leading companies has created a need for an administrative agency capable of dealing with the complex problems of organization and operation, and it has been for this reason that the Controller has entered the picture.

The principal techniques of the Controller have been derived from accounting and statistics, and it seems to me that the fact remains, as it always has, that for success in the Controller field an ability to organize and to administer are the essential requisites.

CHAPTER I

INTRODUCTION

Since the office of controller has become, in recent years, of ever increasing importance it is considered appropriate to examine the background of some of our successful controllers in business today in order to determine whether a common background exists. In order to accomplish this, controllers from approximately fifteen leading American companies were interviewed either in person or by mail. All were asked identical questions relating to their own background, training and recruiting policies of their company, and their advice to controller aspirants.

The following four chapters are a summary of the information obtained as a result of these interviews and should prove of particular interest to those studying for the role of controller or seeking knowledge of that polition.

CHAPTER II

EDUCATIONAL AND PROFESSIONAL BACKGROUND OF SOME LEADING CONTROLLERS

During the first term here at George Washington University, it has been forcibly brought to my attention that most of the present day controllers seem to have gotten their start in the accounting field. Many of them were and are Certified Public Accountants. Almost invariably, however, when asked directly whether they considered an accounting background essential for controllership, the controller always answered in the negative. He usually went on to say that he did consider a knowledge of accounting to be desirable.

With respect to an accounting background for controllers, J. Hugh Jackson writes:

> "The controller and his assistants must be thoroughly steeped in accounting theory, since sound accounting principles are the foundation of and first consideration in their work. His is the responsibility of disposing expeditiously of major accounting problems, of advising his staff properly regarding them, of supplying results promptly to management and operating divisions, and of protecting top management against unwarranted criticism of its published figures." [1]

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[1] J. Hugh Jackson, The Comptroller His Functions and Organization (Cambridge: Harvard University Press, 1949), p. 49.

Section II

Keith Powlison, Vice President and Controller of the Armstrong Cork Company, said:

> "Highly developed though the accounting processes are, their indefinite nature makes it imperative for them to be administered by courageous men of high caliber. Thus the primary function of the controller is in the realm of business judgment and not in the area of slide rule computations." [1]

Now that we have seen how two writers in this field regard an accounting background for the controller, let us next outline the educational and business backgrounds of some of our leading controllers in business today.

The Vice President and Controller of The Proctor and Gamble Company received his degree in Commercial Engineering at the University of Cincinnati after completing five years of co-operative engineering and business administration. He entered business as an assistant purchasing agent and joined Proctor and Gamble in 1926. He has since progressed through the cost and accounting departments to his present position.

The Comptroller of the Corn Products Refining Company attended Princeton University four years where he obtained an A. B. Degree in Modern Languages, followed by one year of Law at the University of Virginia. He worked for a New York City firm as traveling

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[1] Keith Powlison, Selection and Training of Controllership Personnel, Chapt. VI of Controllership in Modern Management, ed. Thornton F. Bradshaw and Charles C. Hull, (Chicago: Richard D. Irwin Inc., 1950) p. 147

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auditor before joining Corn Products Refining Company in 1928. Subsequent to 1928, he traveled widely installing accounting systems in various foreign subsidiaries of the company and became managing director of the subsidiary company in Osaka, Japan. In 1948 he was appointed comptroller.

The controller (budget director) of The Atlantic Refining Company received a Bachelor of Science degree in Chemical Engineering from the Drexel Institute of Technology and did graduate studies in Business Administration at the Wharton School of Finance. He joined the Transportation Department of Atlantic in 1939, moving to the Budget Division in 1946. During World War II he served as Fuel Officer with the U. S. Navy, afterwards returning to Atlantic. He was appointed Assistant Budget Director in 1950, and in January, 1954 assumed his present position.

The controller of the Standard Oil Company of Ohio attended numerous accounting and economics courses at night school in Cleveland, and completed courses at La Salle Extension University in accountancy, taxes, and business administration. He obtained his CPA in 1942. This controller first entered business in 1926 with the Refiners Oil Company as bookkeeper, salesman and traveling auditor until 1931. In that year he joined Standard Oil and progressed through the tabulating section, tax section, budget department, and assistant controller to his present position.

Controller of Allegheny Ludlum Steel Corporation graduated from Harvard in 1932 and the Harvard Graduate School of Business and Engineering in 1934. After working briefly in engineering for Chrysler Corporation, he changed to the financial field as securities analyst for Investment Counsel, Incorporated, Detroit, Michigan. From 1939 to 1942 he was a member of the Investment Department of the Detroit Bank. In 1942 he moved to Pittsburgh to work for the United States Steel Corporation as staff assistant in the Financial Department and in 1946 was appointed statistician for Allegheny Ludlum Steel Corporation, and in 1949 was named Controller for that company.

The Controller of the Kendall Company attended one year at St. Stephens College, two years at Columbia College as an undergraduate, followed by three more years at Columbia Law School. He now holds an AB degree and a New York CPA certificate.

In 1930 he entered business with Arthur Anderson and Company where he remained until 1940 when he became assistant secretary and treasurer of a public utility holding company. Here he served in a staff capacity on accounting and control matters insofar as the controllers of the thirty-five subsidiaries were concerned. This controller also served with the Navy as a Lieutenant in the Supply Corps at the Philadelphia Naval Ship Yard. In 1947 he became Research Assistant to the Comptroller of the Chesapeake and Ohio Railway Company, his job being to modernize railroad accounting. In 1948 he became controller of The Kendall Company.

The Comptroller of the Allied Chemical and Dye Corporation has an educational background which includes an AB degree in Economics from the University of Notre Dame, post graduate work at Northwestern University in business administration and writing, plus a law degree from Fordham University. Prior to World War II he was in the field of industrial engineering, starting as a checker and time study man in the Chicago plant of Armour and Company and subsequently was a division engineer responsible for the labor cost control program in a portion of the Chicago plant. During the war he was disbursing officer in the Army and Air Force and later a contracting officer at the Air Materiel Command at Wright Field. After the war he joined Allied Chemical's accounting staff, and was a staff assistant to the Vice President Comptroller just prior to being appointed Comptroller in April 1953. This controller placed special emphasis on the value of the early plant experience which he said game him an intimate working knowledge of the line staff relationship at the operating end.

The Director of Budgets, International Business Machines Corporation, graduated from Northwestern University with a degree of Bachelor of Science in Commerce, having majored in Accounting and Finance. Since graduation he has been with IBM, initially as a student salesman in training, followed by five years in the U. S. Army in administrative and methods work associated with IBM installations. After various assignments as manager of IBM branch

offices, he became Assistant to the Vice President and Treasurer, and was promoted to Director of Budgets about one year ago.

The Controller of Maxwell House attended Loyola University, Notre Dame, and Northwestern University, from which he received a B. S. in Commerce. He worked with the accounting firm of Arthur Young Company in Chicago as a senior staff accountant for a number of years, after which he served in the U. S. Navy as an air officer in the Bureau of Aeronautics. He began his career with General foods as Assistant Controller moving to the position of Chief Cost and Budget Accountant in approximately one year, thence to the position of Controller of Maxwell House, which is the largest division of General Foods.

The General Auditor of Southern Pacific Company completed a two year commercial course in business school, supplemented by accounting correspondence courses as well as university extension evening classes in accounting and related subjects. It was noted that this limited formal education appears to be typical of chief accounting officers in the railway industry, where most have gained their positionsthrough long years of experience in the business, rather than through an extensive background of academic training.

Now that we have briefly sketched the backgrounds of some of the controllers in big business, it is evident that no one background is common to them all. Some received intensive academic training while others learned by experience. The one science which

seems to be most nearly shared by all is that of Accounting, thereby lending credence to the belief that some writers on the subject have; namely that an accountancy background is a prerequisite for Controllership.

CHAPTER III

TRAINING OF CONTROLLERS AND CONTROLLER DIVISION PERSONNEL

In our discussion of the training policies of a number of the big corporations, we will be dealing with some of the same companies which have already been discussed. To avoid needless and boring repetition, the short title of the company will be used where possible.

At the conclusion of the preceding chapter we were discussing the General Auditor of Southern Pacific. As he pointed out, his formal training was limited. In studying this company's training policy, we find that aspirants to top positions invariably come up through the ranks, and gain their most essential knowledge through actual experience at various levels of responsibility. Most entering employees do not have academic training above high school level.

A study of the training program at Maxwell House indicates that they have no formalized training as such. IBM and Allied Chemical, on the other hand, have a well diversified program of on the job training plus extension courses leading to a graduate degree.

Socony-Vacuum employs the job rotation training policy wherein selected employees from universities are placed in a training program for several years. During this period the employee spends some time in departments such as Manufacturing, Producing, Transportation, Marketing, etc., so that he will have an understanding of the problems involved in the various operations. In addition he spends considerable time with the internal auditing staff and the methods and procedures department in order to obtain a clear concept of the methods used in establishing procedures and policies for protecting the company's funds and for reflecting operating results.

The training program employed at Kendall Company for controller personnel involves two distinct phases. Procured personnel from schools of business administration are assigned to the control staffs of the control accounting and division offices. There is a distinct segregation in job assignments and contacts with chief control personnel between these employees and those hired for clerical operations. The second phase of the training program is one of job rotation for selected groups of men from the various control departments. This phase encompasses approximately five years during which these men work either for the Controller or for the Treasurer. Compensation adjustments are made strictly on a time basis during this period, with the objective that upon completion of the program,

the man will have attained a level of compensation of about $8000 a year, which is the low range for the Assistant Divisional Controller at Kendall. Upon completion of the program, the men are installed as Assistant Divisional Controllers or as assistants to the Company Treasurer.

Standard Oil (Ohio) has an "Accountants Development Program" which is designed to insure a supply of qualified employees for accounting functions. Outside study is encouraged, and the "Ohio Education Plan" refunds one-half of the cost of tuition, laboratory, and registration fees on the successful completion of any course which will benefit the employee on his present job or prepare him for a future position. In addition to these two programs, there is a management development program for first line supervisors and above, which provides training in all aspects of management essential for any position of responsibility.

U. S. Steel has a formalized and very detailed training program divided into two general categories. The technical training program provides a basic understanding of the making and shaping of steel and the utilization of accounting, operations, and other data in developing practical solutions to management problems affecting all areas of the business. The training period (about two years) is mostly practical work experience on a job-rotation basis involving increasingly difficult problems and broader scope.

A "promotion from within" policy is followed, implemented by established management development programs.

The executive development program is designed to inventory the personnel and to evaluate their performance and potential. This program includes the following basic steps:

1. Organization of scope and detail approach.
2. Endorsement of appropriate executive management.
3. Development of appraisals.
4. Summarizing and exhibiting of results of appraisals.
5. Analysis and drawing of conclusions pertaining to the condition of the organization and development problem.
6. Development of individual programs of a broadening or corrective nature.
7. Acquainting of personnel with conclusions reached.
8. Follow up and evaluation of progress.

The appraisal procedure provides the basis for the execution of the remainder of the training program. This appraisal considers the following:

1. The man's performance on his present position.
2. His general ability and work characteristics.
3. His potential for advancement.
4. The development required.

Upon completion of the appraisal and analysis phase of the program, the development phase is begun. This final phase consists of on the job training, and formal schooling.

The training program of U. S. Steel has been presented

in some detail because it is felt to be a well thought out program and one that could be adapted to other companies.

David R. Anderson had this to say concerning training of controller personnel:

> "There is no doubt that educators can contribute a great deal to the development of training for controllership along these lines by the way they present problems of accounting and business management to their students and by the counsel which they give to those who look to them for guidance in their early training. But controllers themselves must assume the responsibility for carrying on in the same spirit from the point where the educator's job is done. Formal company training programs can be helpful in this respect, but even more important is the kind of environment which the controller creates for those who work under his supervision." [1]

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1 David R. Anderson, Controllership's Contribution to Executive Management, Chapter IV of Controllership in Modern Management, ed. Thornton F. Bradshaw and Charles C. Hull, (Chicago: Richard D. Irwin Inc., 1950), p. 111

CHAPTER IV

BACKGROUND MOST SOUGHT BY BUSINESS IN RECRUITING POTENTIAL CONTROLLERS

In conducting this survey, the controllers were asked what type of background or individual their company desired for prospective assignment to the controller's department. This question appeared to be the most difficult for the controllers to answer, since the various companies apparently look for widely varying qualities in their future employees. A number of companies search for a business education, others for engineering or statistics, while still a third may require only a good personality and an ability to learn.

To get down to specific cases, Allegheny Ludlum desires that a man have some industrial engineering, statistics and at least basic accounting preferably including cost accounting. In addition a good personality, ability to get along with others, analytical ability and initiative are also desirable.

U. S. Steel requires a college degree in business administration, industrial management, accounting or finance. A broad background is desired for management rather than a specialized one. An engineering degree coupled with interest and aptitude for management is especially applicable. If an applicant has an advanced degree, particularly if it is one that broadens rather than continues

undergraduate specialization, he normally will be given additional consideration.

The Controller of Standard Oil of Ohio pointed out that in his department, there are over 800 personnel, so that he could not easily answer this question. He stated that Standard of Ohio places increases emphasis today on formal education and degrees in business administration with majors in accounting, economics, engineering, and related fields. He pointed out that the development of electronics in accounting is necessitating technical training, particularly in higher mathematics. Notwithstanding these desirable qualifications, Standard of Ohio is still interested in young men and women who may not have specific training but who are willing to avail themselves of further training and education while on the job.

The Kendall Company procures men, primarily with Master's degrees from various schools of business administration, both for the control staffs in the divisions and for the control staff in the general accounting office. This company does not require accounting training other than elementary accounting since they believe that men can be trained in the practical aspects of accounting much better than in the theoretical approach taken by most schools.

Allied Chemical seeks candidates among college graduates grounded in either accounting or economics. If possible this company prefers a background of experience in some sort of writing

which is helpful in analyzing and preparing the written memoranda required. Allied Chemical prefers that the new employee not be an accountant because of a feeling that such training does not result in a broad outlook and stresses techniques rather than an interest in analyzing factual situations.

Both Corn Products Refining Company and Bethlehem Steel stress the personal traits and qualities above those of an academic nature. Highly specialized training is not as important to these companies as orderly, well-disciplined minds, intellectual curiosity, and ability to cut through details. It might be of interest to note here that the present Financial Vice-President of Corn Products is an Annapolis graduate.

We have seen from the foregoing discussion that each field of industry has somewhat different requirements in selecting the personnel for the controller department. While one company may require a formal academic degree, another will be mainly interested in the personality and appearance of the applicant. David R. Anderson sums up the requirement for the controller:

> "The imperative need of business today in the field of controllership is for strong, competent, broad guage men." [1]

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[1] David R. Anderson, Controllership's Contribution to Executive Management, Chapter VI of Controllership in Modern Management, ed. Thornton F. Bradshaw and Charles C. Hull, (Chicago: Richard D. Irwin Inc., 1950), p. 145

CHAPTER V

TIPS FROM THE CONTROLLER

The last question put to the controllers we have discussed was "What tips do you have for the would be Controller?" The response to this question was beyond expectation; almost every interviewee had volumnes to say or write in reply. Obviously it is not possible to repeat here all the admonishments and recommendations of these gentlemen, so I will attempt to cover only the most interesting without relating them to any specific company.

The controller staff man should retail the habits of study learned in school. Reading of the Controller's magazine, the N.A.C.A. bulletins, journal of accountancy, and similar publications is necessary to maintain an up to date knowledge of current accounting thinking and to maintain technical competence.

He should have a well developed sense of curiosity. He should keep asking himself all the time:

A. For what purpose are these figures to be used?

B. What do these figures mean?

C. Do they give the correct answer to the problem?

D. Can they be easily understood by the person for whom they are intended?

E. Am I sure that they are in such a form that they cannot possibly be misunderstood?

F. Based on my knowledge of the problem, do the figures "look" right?

The controller should be versatile and agile in his day to day work. Due to the nature of the controller's normal activities and the fact that the controller's desk is usually the dumping ground for all sorts of odd jobs, he must be more or less familiar with all phases of the operation of the business. Only a versatile and agile mind can readily jump through a maze of subjects and still come out top side up.

The controller must be capable of self expression, both orally and in writing, in order to sell the results of his endeavor. Half of the controller's job is salesmanship. He must sell his product to those above, those on a level, and those below him. He should possess the ability and willingness to accept suggestions for the solution of problems from others when his judgment tells him they are better than the ones he first advocated.

He should learn to accept and delegate authority and at the same time know and observe its limitations. He must exhibit a spirit of general helpfulness and have that added "plus" that shows the difference between one who is going places and one who just gets by.

The assistant controller can assist the controller in certain basic ways. For example:

1. He can accept his share of the authority and even though the final responsibility is not his he can feel a definite responsibility for the successful completion of all tasks assigned to him.
2. He should thoroughly understand all company policies affecting his work and his employees, and be able to interpret such to one and all.
3. He is expected to be the buffer to relieve the controller of 101 details and contacts which if handled haphazardly might hamper the efficiency of the group as a whole.
4. He cannot be expected to be a memory expert, remembering every figure he sees, but he should know what figures are available and where they can be found readily.
5. He should be close-mouthed. He deals constantly in information which is highly confidential and the key staff must not only watch themselves, but they must also guard against leakage from their department.

6. He should know at all times the status of the daily work being done under his direction. If deadlines are to be met, no part of the work can lag.

7. He should be able to work out suitable yard-sticks to measure objectives and performance against such objectives.

8. He must stand ready to lend assistance to all departments since one of the main reasons for his existence is his ability to help mesh the gears and smooth the path for all departments of the business.

9. He must not only be able to recognize sore spots or unusual situations requiring attention within and without his own department, but he should be able to diagnose the trouble, get the facts and offer a constructive remedy in a tactful manner to the proper person.

10. He should be able to assist the controller in presenting reports to the management and also assist him in maintaining the proper balance between too little and too much information flowing to the "front office."

11. He should be able to review and brief the findings and recommendations of his subordinates so as to define the points of issue and point out those needing further discussion.

12. He must be imbued with the idea that simplicity should be the keynote of all his work. "If it ain't simple, it ain't right."

13. He should be able to initiate and suggest improvements in methods, procedures, internal control, forms, and reports.

14. Last and perhaps most important, he should know organization principles and their application.

CHAPTER VI

SUMMARY AND CONCLUSIONS

Now that we have examined the backgrounds of several controllers we should perhaps review the findings in order to determine what if any general conclusions we can draw.

The first and most evident conclusion we can make is entirely on the negative side; there is no single business background nor any one educational background common to the Controllers in business today. The majority of them, at some time in their training, became familiar with accountancy, taxes, and finance, but here again we cannot say that all Controllers have an accountancy background. We have found that some of the gentlemen interviewed actually graduated from college with the expectation of becoming engineers, and then later in their business careers did an about fact toward the Controllership. Certainly these individuals possessed little accounting or financial ability at graduation.

University extension courses and night school, augmented by correspondence courses have played a major part in the advanced education of the Controller. Some few of them, apparently concentrated in the railroad industry, completed their educations

through the correspondence medium commencing with a high school education.

In the field of training for the Controllership, we have seen how the companies employ widely divergent methods, varying in degrees of application from informal on the job training to formal academic graduate courses. If no single lesson is to be derived from the discussion of company training methods, it is that more attention should be paid to the problem of human relations. The would be Controller must understand that success in controllership depends on the ability to establish proper working relations between the controller's staff and the operating personnel.

In conclusion, a man working up to a controllership position should have diversified experience as well as a good educational background. As to the educational background, almost any university can provide that, but the experience is something which each man has to provide for himself. No one worries about you but yourself and what you have to do is direct your path into those channels where you are going to get the right kind of experience for broadening out.

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